nations should lose the strength to maintain them. When war breaks out, they would be continued if possible, but when the circumstances of the conflict render this impossible, neutral nations regain commerce previously withheld. True, the cession may be by decree as though freely granted, but in point of fact it is a pill the harassed belligerent has to swallow.

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HOBSON, JOHN A. *Gold, Prices and Wages.* Pp. xiii, 181. Price, $1.25. New York: George H. Doran Company, 1913.

With the exception of Professor Fisher's *The Purchasing Power of Money* there have been few important contributions to the theory of money for several years. Mr. Hobson has, however, presented in this volume a vigorous and stimulating explanation of the relation between money and prices. Instead of the usual elaboration of the quantity theory, a new explanation is advanced and the traditional view is vigorously attacked.

The author takes direct issue with the quantity theorists. If their explanation is anything more than the mere truism that "a price expresses the ratio between the quantity of money paid for goods and the quantity of goods sold," it is incorrect. "The normal direct source of money at any time is payments for goods," and "the supply of money, the aggregate of purchasing power expended upon the supply of goods during any given year," consists of (1) the gross receipts from the payments or purchases made during the year, (2) the additional gold or notes issued as currency during the year, and (3) the additional credit issued as loans, discounts or other advances by banks.

An acceleration in the supply that comes as income from the sale of goods cannot be attended by a rise in prices, because it implies an increase in the quantity of goods equivalent to the increase of money. Hence the rise of prices during recent years is to be explained by an increase of gold or of credit.

Both have contributed, but the increased output of gold is relatively small and would at the most influence prices less than one-tenth per cent per annum. The increase in credit, however, has been very great and has been due to an enlarged demand for capital to be used for development purposes. This demand has raised the rate of discount charged by the banks and has caused them to scramble for the new supplies of gold. This is the converse of the usual explanation that increased supplies of gold have increased the lending power of the banks and explains the rising rate of discount as the current view does not. In other words, "the supply of gold has been inadequate to keep down the price of money." The growth in bank credit has been made possible by the great increase of collateral in the form of stocks and bonds.

This vast increase in the supply of money has been accompanied by a retardation (not an actual decrease) in the supply of consumption goods. An increasing proportion of money is expended upon fixed investments, luxuries, wasteful processes of competition, etc. The investments in capital goods may ultimately be so productive that the increased supply of goods will lower their prices but temporarily labor and capital are withdrawn from the field of consumption goods and hence their production is retarded.

Much of this is not inconsistent with a quantity theory of money. The difference between the two views is found in the author's insistence that a high discount rate during a period of rising prices is not to be explained by the quantity theory and in his contention that the velocity of circulation of money and the volume of credit bear no determinable relation to the supply of gold. Moreover, there is a growing tendency to ignore the intrinsic value of gold, which is becoming a form of token money. Except in financial crises, money has no purchase-price. It is "owned" only by governments, banks and other financial firms and is "let out" by them to individuals at a "hire price" which is collected as brassage, or through taxation by the governments and as discount by the banks.

The argument throughout the book is largely *a priori* and perhaps necessarily so in the absence or reliable statistics. In the few instances where concrete proof is introduced, it is not convincing. In spite of this weakness, the author has presented the strongest attack on the quantity theory that has as yet appeared, and explains more satisfactorily than has anyone else the relation between rising prices and a high interest rate.

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HOWE, FREDERIC C. *European Cities at Work.* Pp. xiv, 370. Price, $1.75. New York: Charles Scribner's Sons, 1913.

This book happily treats the newer functions that the German and British cities are assuming. It is readable, yet well supported; accurate, yet the author has been able to get above his details. He discusses the housing undertakings; socialization of transit in British and in German cities, municipal markets, state-owned railways, municipal theatres and pawn-shops, bakeries, saving banks, sewage disposal, real estate ventures, city plans, civic centers, workingmen's cottages, municipal slaughter houses, school expenditures, manual training, city debts; the limitation of uses to which urban land can be put, the waterfronts of German cities, recreation centers, the parcel posts in Germany and Great Britain; municipal sanataria, municipal loans to workmen, the budget of the German city, business taxes, elevated railways, taxation of land values, unearned increment taxes, legal aid departments, license taxes, unemployment insurance, waterway improvements, water communications, workingmen's tickets, and in general all that the German and the British cities are doing to further sane community life and to further the well-rounded development of the urban citizen.

Of special interest are the descriptions of the way the German cities determine the uses to which land can be put by the owners. Factories are required to locate upon the railway or harbor and on the side of the city away from the prevailing winds. Terminals and railway bridges are built with switches, sidings and spurs, which are linked up with the canals and waterways to ensure the economical handling of freight. The territory near the factory district is dedicated to workingmen's homes. The streets are planned with this object in view, and neighborhood parks, playgrounds, and public baths are usually provided. Through the zone system the direction and character of future city